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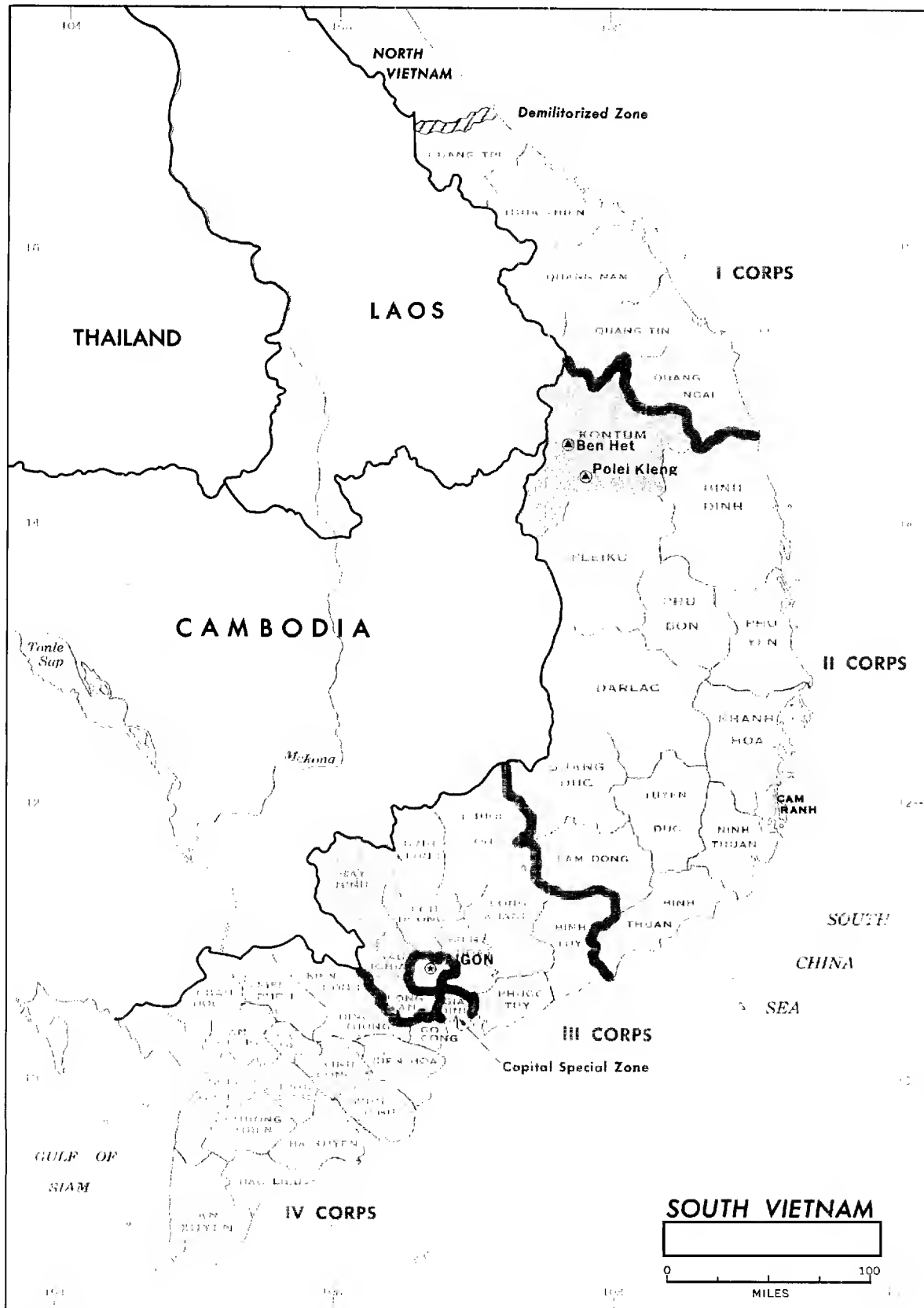
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[South Vietnam: The Communists may have kicked off phase two of their current offensive, at least in the western highlands.

North Vietnamese regulars continue to maintain pressure against two allied positions near the Cambodian border in western Kontum Province which they first attacked in battalion strength on 3 March. In the attack on 3 March against the Special Forces camp at Ben Het, enemy infantry units were supported by at least nine PT-76 amphibious tanks--the first employment of armor by the Communists in South Vietnam in more than a year and its initial appearance in II Corps. In the other major action west of the Special Forces camp at Polei Kleng, the fate of nearly 50 members of a US Army rifle company attacked on the 3rd remains in doubt, as heavy enemy resistance in the area has thus far precluded allied rescue efforts. Polei Kleng itself has also remained under heavy shelling.

Elsewhere in Vietnam, enemy activity remained at the preoffensive levels of the last few days and consisted mostly of harassing actions against allied military units and installations. The relative lull in much of the country, when balanced against the upsurge of activity in the highlands, suggests that the Communists may attempt to stagger phase two of their offensive region by region rather than opt immediately for a renewed countrywide series of coordinated attacks.

In the critical III Corps area, there has been an increase in shelling and harassments against allied outposts and artillery bases situated near well-established infiltration routes in Tay Ninh and Hau Nghia provinces. The pattern of enemy actions suggests that a major effort may be under way to screen the movement of troops and supplies along the western approach corridor to Saigon.

(Map)

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Berlin: Yesterday's last-moment diplomatic approach by the East Germans has produced no changes, and the West German Federal Assembly will convene in West Berlin today to elect a new president.

The East Germans sweetened their original Easter wall pass proposal only with a declaration of willingness to discuss a longer term pass agreement. West Berlin Mayor Schuetz, Chancellor Kiesinger, and other West German officials agreed that this was not sufficient to warrant moving the meeting from West Berlin.

The Soviets, meanwhile, are exercising careful control over the sporadic autobahn closures that affect Allied traffic. Yesterday's two-hour closure of the Helmstedt autobahn delayed small British and French military convoys. No US convoys were scheduled. Shortly after the British convoy was stopped, the Soviets told its commander exactly when the closure would end. As they did on 3 March, when a US convoy was halted, Soviet officers and troops manned the checkpoints during the closure.

Czechoslovak Embassy officials in East Berlin have added to rumors that there may be a closure today of the crossing point through which foreigners enter East Berlin. In the past, the Western Allies have never been barred from entering the Communist half of the city, suggesting that these rumors may only be part of the campaign to heighten tension as the Federal Assembly convenes.

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Czechoslovakia: The government has activated a civilian-dominated State Defense Council in an effort to increase the regime's control of the defense establishment. This move, however, probably will not seriously disrupt efforts by the conservatives to strengthen their positions within the security and police apparatus.

The nine-member council, headed by party chief Dubcek, was initially proposed as part of Dubcek's reform program early in 1968, but its formal establishment was delayed. Designed mainly to prevent a military or a party clique from seizing power, the council was a direct response to former party boss Novotny's futile attempt in December 1967 to use the army to perpetuate his rule.

Under present circumstances, Dubcek may try to use the State Defense Council to curb the influence of pro-Soviet elements in the Ministry of Defense. Since the invasion, a number of pro-Soviet hard-liner military officers have been installed in key positions and--with the assistance of Soviet "advisers"--are said to be seeking control of the ministry.

The majority of the council members are centrist politicians opposed to the hard-liners. Defense Minister Dzur, Interior Minister Pelnar, and Chief of the General Staff Rusov--the only military and security types on the council--are known to be Dubcek supporters.

The conservatives, meanwhile, are also trying to gain control of the police and security forces. Progressive journalists have warned that it is "an open secret" that the hard-liners have made considerable inroads in the secret police, and that the progressives in the Interior Ministry are now on the defensive. Moreover, the conservatives reportedly also have made substantial progress among the People's Militia, the paramilitary force of the Czechoslovak Communist Party comprised largely of workers from factories and mines. [REDACTED]

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Rumania - Warsaw Pact: Bucharest is stepping up its efforts to forestall any Warsaw Pact plans to hold maneuvers in Rumania.

Rumanian leader Ceausescu gave a speech on 28 February, concluding the national election campaign, that was frequently belligerent in tone. He assailed "military maneuvers and other demonstrations of force on the borders of other countries," as he has in the past. This time, however, he condemned similar actions on the "territories of other states." This general theme, emphasized in recent speeches by other Rumanian leaders, suggests that details still are not settled concerning Warsaw Pact maneuvers on Rumanian soil--which Bucharest has reportedly agreed to in principle. Rightly or wrongly, Ceausescu probably believes he still can bargain on this issue.

Apparently to undercut any possible Russian intimidation, Ceausescu drew attention to what he described as Rumania's improved military posture. He also asserted that "Rumanian socialism is in safe hands--in the hands of the Communist Party, the working class, and all the people"--an ingredient Moscow claimed was lacking when it invaded Czechoslovakia.

The Rumanian leadership apparently also wanted to document its independent position, just prior to the final meeting this month in Moscow of the preparatory commission for the international Communist conference. In addition, the wide dissemination given by Rumanian news media to the speeches by Ceausescu and other Rumanian leaders, as well as the new support given to them in the elections, seem designed to re-emphasize, at home and abroad, the message that the Rumanian leadership is united and Bucharest's position is unchanged.

[REDACTED]

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Jordan: Pressures in favor of the terrorist movement seem to have forced Husayn to acquiesce in a more tolerant position toward the fedayeen presence in Jordan.

Fedayeen are being permitted to operate more and more openly and with increasingly independent authority throughout the country. Fedayeen groups solicited funds in Amman during the recent Muslim holidays, canvassing hotels and the homes of foreigners. They have also been harassing foreign visitors to popular tourist sites; the US Embassy fears that some incident involving US nationals and the fedayeen could easily occur.

There are no indications that any direct confrontation between the fedayeen and the government is in the wind. To the contrary, Husayn appears to have reached a new modus vivendi with the fedayeen groups--his internal security forces are cooperating with the fedayeen's security units, often in joint patrols.

Husayn appears confident that he can quash any antiregime move from the terrorists.

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USSR: Inflationary pressures in the Soviet economy probably are increasing despite a drive to accelerate the production of consumer goods to meet rising incomes.

Real income per capita has increased significantly during the past several years in the USSR. Increased money incomes of collective farmers, an industrial wage reform, and greater pension benefits have pushed consumer purchasing power to new heights; another rise in money incomes is scheduled for this year.

Although the government has attempted to increase the growth of consumer goods output, the rise in money incomes has continued to outpace the supply. As a result, substantial funds have gone into savings accounts, which rose by 20 percent last year for the third year in succession. This was the equivalent of about 40 percent of the year's increase in personal income.

The excess purchasing power is reflected also in rising prices on the collective farm market, the only organized free market in the USSR. During the last half of 1968, prices on this market in Moscow were about 8.5 percent above those during the same period of the previous year.

An increase in the supply of consumer goods and services is scheduled this year, but it may fail again to meet rising incomes, thus intensifying the inflationary pressures already present in the economy.

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USSR-Uruguay: On 28 February the USSR and Uruguay signed a trade agreement, as well as a \$20-million credit agreement that has been under intermittent discussion over the past three years.

The terms of the export credit agreement were not spelled out in the TASS announcement, but Uruguay will probably purchase Soviet capital goods to be paid for largely with traditional Uruguayan exports over eight years at three-percent interest.

In recent years total trade between the USSR and Uruguay, consisting chiefly of imports by the USSR, has averaged only a few million dollars annually. It remains to be seen whether the credit agreement will lead to a substantial broadening of trade. This has failed to occur under similar arrangements that Moscow already has with Brazil and Chile.

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Dominican Republic: Reaction to President Balaguer's first hints that he may run again highlights the prospects for political instability between now and the elections scheduled for May 1970.

The President, in his Independence Day speech on 27 February, stated that his future plans would not be swayed by the wishes of petty political leaders or members of his own party, but by the will of "the people." This bid for public support underscores the fact that his personal popularity is independent of the ruling Reformist Party mechanism.

In reaction to his speech, the leftist Revolutionary Social Christian Party, the only political party of any size to challenge the Reformist Party in the municipal elections in 1968, reiterated its opposition to Balaguer's re-election and hinted that it might support a coup. The major opposition Dominican Revolutionary Party, which boycotted the 1968 elections, has not formally announced its reaction, but had indicated earlier that it would withdraw again in 1970 if Balaguer ran. The Communist parties are predictably condemning any re-election attempt.

Although there is no constitutional prohibition against a second term, the subject of continuismo--extended one-man rule--is a heated public issue, stirring memories of Trujillo's hated 31-year dictatorship. Balaguer's nomination could prompt elements of the opposition to make common cause in an effort to topple his government or provoke a military coup.

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NOTES

25X1 USSR: The Soviets reportedly plan to fly their TU-144 supersonic jetliner to Paris for display at the Paris Air Show in late May if testing continues satisfactorily. The aircraft almost certainly will be the prototype that made the well-publicized first supersonic transport flight in Moscow last December. Because the TU-144 will be competing for attention at the show with the Anglo-French Concorde supersonic airliner, it probably will not create the sensation that the giant Soviet AN-22 cargo transport did at the Paris Air Show in 1965. [REDACTED]

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25X1 Hungary: Foreign Minister Peter and Defense Minister Czinege, both of whom reportedly disapproved openly of Hungary's participation in the invasion of Czechoslovakia, have not appeared in public since mid-January. They had been seen only occasionally since November, when the leadership last turned out in force. Kadar reportedly refused to take action on their resignations at the time of the invasion in order to preserve the facade of party unity. Their status may become clear at a central committee meeting expected later this month. [REDACTED]

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25X1 Latin America: The planned withdrawal of the American Federation of Labor/Congress of Industrial Organizations (AFL/CIO) from the International Confederation of Free Trade Unions (ICFTU) is causing consternation in some Latin American labor circles. [REDACTED]

25X1 [REDACTED] if the AFL/CIO goes through with this action, the umbrella under which it now provides funds to the Inter American Regional Organization of Workers (ORIT), will be removed. ORIT then would be more vulnerable to the frequent allegations by Communist labor unions that it is an organ of US imperialism and not an international organization. [REDACTED]

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